

IRS News Release

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First Bilateral Advance Pricing Agreement Concluded Between the United States and the People's Republic of China

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WASHINGTON — The Internal Revenue Service today announced the completion of the first bilateral advance pricing agreement (“APA”) between the U.S. and the People’s Republic of China.

The agreement involves Wal-Mart Stores, Inc. The parties, including Wal-Mart, worked quickly and constructively to establish a mutual agreement process that will benefit future bilateral APAs between the two countries.

“We’re working closely with China as they develop their tax administration system,” said IRS Commissioner Mark W. Everson. “This is an important event, and I’m pleased we’ve been able to reach this agreement with the Chinese tax authority and Wal-Mart.”

The IRS APA Program provides a way to resolve transfer pricing issues before they arise during an audit. The program enables the taxpayer and the IRS to work together to resolve potential double taxation disputes under U.S. tax law and relevant income tax treaties. APAs lessen the burden of compliance by giving taxpayers greater certainty regarding their transfer pricing methods.

The APA process increases the efficiency of tax administration by encouraging taxpayers to come forward and present to the IRS all the facts relevant to a proper transfer pricing analysis and to work towards a mutual agreement in a spirit of openness and cooperation.

In 2006, there were 82 APAs executed, of which 40 were bilateral agreements with other tax treaty countries.